

In computing Retailers' Occupation Tax liability, no deductions shall be taken by a taxpayer from gross receipts on account of the cost of the property sold, the cost of materials used, labor costs, or any other expense whatsoever. See 86 Ill. Adm. Code 130.410. (This is a GIL).

December 29, 1999

Dear Xxxxx:

This letter is in response to your letter dated December 6, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We have acquired a new property where we will be selling manufactured housing in a land lease community. The CITY requires a sewer and water connection fee of \$135.00 and an impact fee of \$955.00. We collect these fees from the buyer of each home and then we issue a check to the city for those amounts.

The connection fees for the sewer and water do not pay for the labor or materials to make the physical connection. The fees were imposed on new construction several years ago as a means of accumulating funds to pay for future increased capacity in the CITY's sewerage treatment facility and water distribution system.

The impact fees were also imposed several years ago on new residential construction. The proceeds from these fees are distributed among the local park, recreation and conservation, and school districts.

Our question is: Are we required to collect sales tax on these fees?

Please find enclosed, a sample purchase agreement form showing the city fees as nontaxable items. Is this the correct way to proceed?

We will appreciate your advice.

Illinois Retailers' Occupation Tax is imposed upon gross receipts from the sale of tangible personal property to end-users and gross receipts is defined to mean all the consideration received by sellers valued in money whether received in money or otherwise, but not including the value of or credits given for like kind traded-in property. In computing Retailers' Occupation Tax liability, no deductions shall be made by a taxpayer from gross receipts or selling prices on

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account of the cost of property sold, the cost of materials used, labor or service costs, freight or transportation costs, overhead costs, clerk hire or salesmen's commissions, interest paid by the seller, or any other expenses whatsoever. See 86 Ill. Adm. Code 130.410, enclosed.

Based on the limited information you provided, the fees you describe appear to be costs of doing business, which are always included in gross receipts subject to tax.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel

MAJ:msk  
Enc.